

AMENDED IN SENATE APRIL 11, 2016

**SENATE BILL**

**No. 1093**

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**Introduced by Senator Hancock  
(Principal coauthor: Senator Mitchell)**

February 17, 2016

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*An act ~~relating to taxation~~, to add Section 54 to the Revenue and Taxation Code, relating to local government finance, to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1093, as amended, Hancock. Property taxes: assessment: commercial and industrial property.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred.

*Senate Constitutional Amendment 5 of the 2015–16 Regular Session, if approved by the voters, commencing on the lien date for the 2018–19 fiscal year, would require the full cash value of commercial and industrial property to be the fair market value of that property as of the lien date, and would require the Legislature to enact legislation to phase in the reassessment of commercial and industrial property as so described in order to ensure a reasonable workload and implementation period for county assessors and taxpayers.*

*This bill, pursuant to that constitutional requirement, for the 2018–19 fiscal year, would require only 50% of those properties that have not been reassessed at fair market value, as specified, to be assessed at fair*

market value, and by the 2019–20 fiscal year, would require all other properties that have not been brought to fair market value to be assessed at fair market value. The bill would require owners of property subject to reassessment to pay only a portion, as provided, of any increase in property tax due in the first and 2nd years after initial reassessment to fair market value.

*This bill would take effect immediately as a tax levy, but would become operative only if SCA 5 is approved by the voters.*

~~This bill would state the intent of the Legislature to enact legislation necessary to implement the transition to the assessment of commercial and industrial property on a periodic basis as would be provided pursuant to Senate Constitutional Amendment 5 of the 2015–16 Regular Session, as provided.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 54 is added to the Revenue and Taxation  
2     Code, to read:  
3     54. For the purpose of phasing in the reassessment of  
4     commercial and industrial property as required pursuant to  
5     subdivision (b) of Section 2.5 of Article XIII A of the California  
6     Constitution, both of the following shall apply:  
7     (a) (1) For the 2018–19 fiscal year only, the requirement that  
8     those commercial and industrial properties subject to reassessment  
9     under subdivision (a) of Section 2.5 of Article XIII A of the  
10    California Constitution be assessed at fair market value shall apply  
11    only to the 50 percent of those properties that have not been  
12    brought to fair market value for any part of their property for the  
13    greatest number of years prior to the 2018–19 lien date.  
14    (2) Owners of property subject to this subdivision shall pay  
15    one-third of the amount of any increase in property tax due and  
16    payable resulting from initial assessment to fair market value in  
17    the first year upon receiving the new valuation required by  
18    paragraph (1), two-thirds of the amount of any increase in property  
19    tax due and payable in the second year, and the full amount of any  
20    property tax due and payable in the third year after initial  
21    reassessment to fair market value and in subsequent years  
22    thereafter. The balance of the amounts due for the first and second

1 years following initial assessment to full market value are hereby  
2 forgiven.

3 (3) For the 2019–20 and 2020–21 fiscal years only, the assessed  
4 value of properties assessed at full market value pursuant to  
5 paragraph (1) shall be increased by the rate of inflation, but not  
6 more than 2 percent. In no event, however, shall the assessed value  
7 of a property exceed the fair market value as of the lien date during  
8 this period.

9 (b) (1) All other commercial and industrial properties subject  
10 to reassessment under subdivision (a) of Section 2.5 of Article  
11 XIII A of the California Constitution shall be assessed at fair market  
12 value by the 2019–20 lien date.

13 (2) Owners of property subject to this subdivision shall pay  
14 one-half of the amount of any increase in property tax due and  
15 payable resulting from initial assessment to fair market value in  
16 the first year upon receiving the new valuation required by  
17 paragraph (1) and the full amount of any property tax due and  
18 payable in the year following initial reassessment and in  
19 subsequent years thereafter. The balance of the amount due for  
20 the first year following initial assessment to full market value are  
21 hereby forgiven.

22 (3) For the 2020–21 fiscal year only, the assessed value of  
23 properties assessed at full market value pursuant to paragraph  
24 (1) shall be increased by the rate of inflation, but not more than  
25 2 percent. In no event, however, shall the assessed value of a  
26 property exceed the fair market value as of the lien date during  
27 this period.

28 SEC. 2. This act provides for a tax levy within the meaning of  
29 Article IV of the California Constitution and shall go into  
30 immediate effect. However, the provisions of this act shall become  
31 operative only if Senate Constitutional Amendment 5 of the  
32 2015–16 Regular Session is approved by the voters and, in that  
33 event, shall become operative on January 1, 2018.

34 ~~SECTION 1. It is the intent of the Legislature to enact~~  
35 ~~legislation necessary to implement the transition to the assessment~~  
36 ~~of commercial and industrial property on a periodic basis as would~~  
37 ~~be provided pursuant to Senate Constitutional Amendment 5 of~~  
38 ~~the 2015–16 Regular Session, so as to ensure that the owners of~~

- 1 ~~those properties pay their fair share of property taxes for local~~
- 2 ~~education and other community services.~~

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